

CITY OF DUNDEE
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

June 30, 2008

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CITY OF DUNDEE
OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January, 2008)		
Thomas Gibbs	Mayor	Jan. 2008
Bob Nightingale	Council Member	Jan. 2008
Glenn Puffett	Council Member	Jan. 2008
Scott Gibbs	Council Member	Jan. 2010
Barb Robinson	Council Member	Jan. 2010
Ron Wilhelm	Council Member	Jan. 2010
Kathy Boeding	City Clerk	Indefinite
Dan Swift	City Attorney	Indefinite
(After December, 2007)		
Thomas Gibbs	Mayor	Jan. 2012
Barb Robinson	Mayor Pro tem	Jan. 2010
Scott Gibbs	Council Member	Jan. 2010
Ron Wilhelm	Council Member	Jan. 2010
Bob Nightingale	Council Member	Jan. 2012
Dean Nightingale	Council Member	Jan. 2012
Kathy Boeding	City Clerk	Indefinite
Dan Swift	City Attorney	Indefinite

Dietz, Donald & Company

CERTIFIED PUBLIC ACCOUNTANTS

STEVEN S. CLAUSEN, CPA

124A Main • P.O. Box 359

Elkader, Iowa 52043

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the discretely presented component unit of the City of Dundee, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Dundee's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by activity of the cash basis net assets and by fund of the cash balances at July 1, 2007.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by activity of the cash basis net assets and by fund of the cash balances at July 1, 2007, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the discretely presented component unit of the City of Dundee as of June 30, 2008, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of

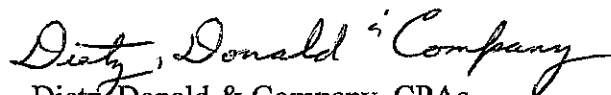
accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated January 19, 2009 on our consideration of the City of Dundee's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 11 and 22 through 23 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Dundee's basic financial statements. Other supplementary information included in Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Elkader, Iowa


Dietz, Donald & Company, CPAs
FEIN 42-1172392

January 19, 2009

***CITY OF DUNDEE
PO BOX 218
DUNDEE, IA 52038
Ph: 563-924-2900***

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Dundee provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

Because the City is not required to be audited, much of the information is not easily comparable to prior years. The reader should keep in mind that any comparative data provided has not been audited. Additionally, this Management's Discussion and Analysis contains no information on the discretely presented component unit, the Dundee Community Club.

2008 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 12.9%, or \$ 9,616, from fiscal 2007 to fiscal 2008. Capital grants, donations and restricted interest increased \$ 16,362.
- Disbursements of the City's governmental activities increased 94.2% or \$ 49,477, in fiscal 2008 from fiscal 2007. Public safety, public works and culture and recreation disbursements increased \$ 23,010, \$10,314 and \$ 16,127, respectively.
- The City's total cash basis net assets decreased over 40%, or \$ 40,927 from June 30, 2007 to June 30, 2008. Of this amount, the assets of the governmental activities decreased \$ 28,546 while the assets of the business type activities decreased \$ 12,381.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements

report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the discretely presented component unit.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases and decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

1. Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development and general government. Property tax and state and federal grants finance most of these activities.
2. Business Type Activities include the sanitary sewer system. This activity is financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1. Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include [a] the General Fund and [b] the Special Revenue Fund, Road Use Tax Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.
The required financial statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.
2. Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains one Enterprise Fund to provide separate information for the sewer fund, considered to be a major fund of the City.
The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased sharply from a year ago, decreasing from \$ 64,233 to \$ 35,687. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)

	Years Ended June 30,	
	2008	2007
Receipts		
Program receipts		
Charges for service	\$ 32	31
Operating grants, contributions, and restricted		
Interest	12	19
Capital grants, contributions, and restricted		
Interest	16	-
General receipts		
Property tax	12	12
Local option sales tax	12	11
Miscellaneous	0	1

Total receipts	\$ 84	74
Disbursements		
Public safety	40	17
Public works	29	19
Health and social services	0	0
Culture and recreation	33	17
Community and economic development	1	0
General government	9	10
Total disbursements	112	63
Change in cash basis net assets	(28)	11
Cash basis net assets beginning of year	64	53
Cash basis net assets end of year	\$ 36	64

The City's total receipts for governmental activities increased 12.9% or \$ 9,616. The total cost of all programs and services increased \$ 49,477, or 78.5%. The significant increase in disbursements was due primarily to a fire department grant, a major seal-coating project and park clean-up after the tornado.

The cost of all governmental activities this year was \$ 112,489 compared to \$ 63,012 last year. However, as shown in the Statement of Activities and Net Assets on page 13, the amount taxpayers ultimately financed for these activities was only \$ 52,907 because some of the cost was paid by those directly benefited from the programs (31,736) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$ 27,846). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service increased in 2008 from \$ 50,285 to \$ 59,582, principally due to receiving a grant for fire equipment in 2008. The City paid for the remaining "public benefit" portion of governmental activities with \$ 24,144 in tax and other receipts

Changes in Cash Basis Net Assets of Business Type Activities
(Expressed in Thousands)

	Year Ended June 30,	
	2008	2007
Receipts		
Program receipts		
Charges for service		
Sewer	\$ 9	9

General receipts		
Unrestricted interest on investments	<u>1</u>	<u>1</u>
Total receipts	<u>10</u>	<u>10</u>
Disbursements		
Sewer	<u>22</u>	<u>8</u>
Change in cash basis net assets	(12)	2
Cash basis net assets beginning of year	<u>36</u>	<u>34</u>
Cash basis net assets end of year	<u>\$ 24</u>	<u>36</u>

Total business type activities receipts for the fiscal year were \$ 9,443 compared to \$ 9,933 last year. The cash balance decreased \$ 12,381. Total disbursements for the fiscal year increased 190% to a total of approximately \$ 21,824, because of pump repairs made in 2008.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Dundee completed the year, its governmental funds reported a combined fund balance of \$ 35,687, a decrease of \$ 28,546 over last year's total of \$ 64,233. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased \$ 19,098 from the prior year to \$ 25,247. Receipts increased \$ 9,341 from last year and disbursements increased \$ 38,929. Public safety disbursements increased \$ 23,010 due primarily to fire equipment purchased with grant proceeds, Culture and recreation disbursements increased \$ 16,127, due primarily to park clean-up after the May tornado.
- The Special Revenue, Road Use Tax Fund cash balance decreased \$9,448 from the prior year to \$ 10,440. Disbursements increased \$ 10,548, due primarily to paying \$ 10,501 for half of the 2008 seal coating project.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Sewer Fund cash balance increased \$ 12,381 leaving the Sewer Fund with a balance of \$ 24,298. Disbursements for 2008 were \$ 21,824, \$ 14,289 more than in 2007 due to major pump repairs incurred in 2008.

BUDGETARY HIGHLIGHTS

The City's receipts were \$ 12,791 more than budgeted, due primarily to the fire department grant. The City exceeded the amounts budgeted in the public safety, culture

and recreation, community and economic development and business type activities functions for the year ended June 30, 2008, due to the fire equipment purchases, the park clean-up and the sewer repair not being budgeted.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Dundee's elected and appointed officials and citizens considered many factors when setting the fiscal year 2009 budget, tax rates and fees charged for various City activities.

The City has experienced some growth. City population has increased over 7% over the last thirty years. July 1, 2007 taxable valuations were 8.0% more than the July 1, 2006 taxable valuations.

These indicators were taken into account when adopting the budget for fiscal year 2009. Amounts available for appropriation in the operating budget are \$ 85,605, an increase of 6.2% over the fiscal 2008 budget. Property tax (benefiting from a 2009 rate increase and increases in assessed valuations) are expected to lead this increase. It should be noted, however, that the City is still 19.8% under the maximum allowable tax rate.

If these estimates are realized, the City's budgeted cash balance is expected to decrease \$ 25,605 by the close of 2009.

CONTACTING THE CITY'S MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information contact the City Clerk; PO Box 218, Dundee, Iowa 52038-0218.

BASIC FINANCIAL STATEMENTS

CITY OF DUNDEE
STATEMENT OF ACTIVITIES AND NET ASSETS-CASH BASIS
As of and for the Year Ended June 30, 2008

Exhibit A

Functions/Programs: Governmental activities:	Disbursements	Program Receipts		Primary Government Governmental Activities	Business Type Activities	Total	Component Unit
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest			
Public safety	\$ 40,211	19,033	-	-	(9,816)	-	-
Public works	28,924	11,058	10,126	-	(7,740)	-	-
Health and social services	350	-	-	-	(350)	-	-
Culture and recreation	32,990	1,357	100	5,000	(26,533)	-	-
Community and economic development	716	-	-	-	(716)	-	-
General government	9,298	288	1,258	-	(7,752)	-	-
Total governmental activities	112,489	31,736	11,484	16,362	(52,907)	-	-
Business type activities:							
Sewer	21,824	8,974	-	-	(12,850)	(12,850)	-
Total primary government	\$ 134,313	40,710	11,484	16,362	(52,907)	(12,850)	-
Component unit	\$ 13,940	14,388	208	-	-	(65,757)	656
General receipts							
Property and other city tax levied for:							
General purposes						11,967	-
Local option sales tax						12,177	-
Unrestricted interest on investments						175	156
Miscellaneous						42	-
Total general receipts						24,361	156
Change in cash basis net assets						(28,546)	812
Cash basis net assets beginning of year						64,233	7,717
Cash basis net assets end of year						35,687	8,529
Cash Basis Net Assets						24,298	59,985
Restricted:							
Streets							-
Component unit						10,440	8,529
Unrestricted						25,247	-
Total cash basis net assets						35,687	8,529

See notes to financial statements

CITY OF DUNDEE
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
As of and for the Year Ended June 30, 2008

	General	Special Revenue Road Use Tax	Total
Receipts:			
Property tax	\$ 11,967	-	11,967
Other city tax	12,177	-	12,177
Licenses and permits	288	-	288
Use of money and property	175	-	175
Intergovernmental	26,363	10,126	36,489
Charges for service	12,415	-	12,415
Miscellaneous	10,432	-	10,432
Total receipts	73,817	10,126	83,943
Disbursements:			
Operating:			
Public safety	40,211	-	40,211
Public works	9,350	19,574	28,924
Health and social services	350	-	350
Culture and recreation	32,990	-	32,990
Community and economic development	716	-	716
General government	9,298	-	9,298
Total disbursements	92,915	19,574	112,489
Deficiency of receipts under disbursements	(19,098)	(9,448)	(28,546)
Cash balances beginning of year	44,345	19,888	64,233
Cash balances end of year	\$ 25,247	10,440	35,687
Cash Basis Fund Balances			
Unreserved:			
General fund	\$ 25,247	-	25,247
Special revenue fund	-	10,440	10,440
Total cash basis fund balances	\$ 25,247	10,440	35,687

See notes to financial statements.

CITY OF DUNDEE
 STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
 AND CHANGES IN CASH BALANCES
 PROPRIETARY FUND
 As of and for the Year Ended June 30, 2008

	<u>Enterprise Sewer</u>
Operating receipts:	
Charges for service	\$ 8,974
Operating disbursements	
Business type activities	<u>21,824</u>
Deficiency of operating receipts under operating disbursements	(12,850)
Non-operating receipts:	
Interest on investments	<u>469</u>
Deficiency of receipts under disbursements	(12,381)
Cash balance beginning of year	36,679
Cash balance end of year	<u><u>\$ 24,298</u></u>
 Cash Basis Fund Balance Unreserved	 <u><u>\$ 24,298</u></u>

See notes to financial statements.

CITY OF DUNDEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

(1) Summary of Significant Accounting Policies

The City of Dundee is a political subdivision of the State of Iowa located in Delaware County. It was first incorporated in 1886 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Dundee has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

The financial statements present the City of Dundee (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its financial relationship with the City.

Discretely Presented Component Unit

The Dundee Community Club has been incorporated under the provisions of the Iowa Nonprofit Corporation Act to operate exclusively for charitable, educational, recreational and community and economic development purposes for the enhancement and improvement of the City of Dundee. In accordance with criteria set by the Governmental Accounting Standards, The Club meets the definition of a component unit that should be discretely presented.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Delaware County Emergency Management Commission, Delaware County Joint E911 Service Board, Delaware County Economic Development Board, Delaware County Landfill Commission, Eastern Iowa Regional Housing Authority Board and Future Funds for Delaware County Board.

B. Basis of Presentation

Government-wide Financial Statement - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and proprietary funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement cost not paid from other funds.

The Special Revenue, Road Use Tax Fund is used to account for road construction and maintenance.

The City reports the following major proprietary fund:

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City of Dundee maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, disbursements exceeded the amounts budgeted in the public safety, culture and recreation, community and economic development and business type activities functions.

(2) Cash

The City's deposits in banks at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of

the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City has no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

(3) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS; PO Box 9117; Des Moines, Iowa 50306-9117

Most regular plan members are required to contribute 3.90% of their annual covered salary and the City is required to contribute 6.05% of covered salary. Contribution requirements are established by state statute. The City's contributions to IPERS for the year ended June 30, 2008 were \$ 474, equal to the required contributions for the year.

(4) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks exceeded commercial coverage by approximately \$ 96,000, due to a May tornado and June flooding of the Maquoketa River. The City has received a public assistance grant of \$ 15,830 and a private donation of \$ 3,000 to help defray costs of the natural disasters. In addition, the City anticipates receiving public assistance grants from the Federal Emergency Management Agency (FEMA) of approximately \$ 78,000 to repair the sewer line crossing the Maquoketa River.

(5) Subsequent Events

The City paid \$ 10,501 in July, 2008 for the second half of the seal coating project.

The City paid \$ 10,530 for an emergency vehicle in September, 2008.

(6) Contingencies

The City was awarded a United States Department of Agriculture (USDA) grant totaling \$ 15,500 for the purchase of fire equipment. Proceeds from this grant have not been received, pending filing and acceptance of appropriate USDA documentation.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF DUNDEE
BUDGETARY COMPARISON SCHEDULE
OF RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES
BUDGET AND ACTUAL (CASH BASIS)-ALL GOVERNMENTAL AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2008

	Governmental Funds	Proprietary Fund	Total	Budgeted Amount	Budgeted Amount to Total Variance
Receipts:	Actual	Actual			
Property tax	\$ 11,967	-	11,967	11,799	168
Other city tax	12,177	-	12,177	11,066	1,111
Licenses and permits	288	-	288	175	113
Use of money and property	175	469	644	355	289
Intergovernmental	36,489	-	36,489	30,900	5,589
Charges for service	12,415	8,974	21,389	18,800	2,589
Miscellaneous	10,432	-	10,432	7,500	2,932
Total receipts	83,943	9,443	93,386	80,595	12,791
Disbursements:					
Public safety	40,211	-	40,211	29,265	(10,946)
Public works	28,924	-	28,924	34,300	5,376
Health and social services	350	-	350	350	-
Culture and recreation	32,990	-	32,990	8,300	(24,690)
Community and economic development	716	-	716	400	(316)
General government	9,298	-	9,298	24,960	15,662
Business type activities	-	21,824	21,824	9,200	(12,624)
Total disbursements	112,489	21,824	134,313	106,775	(27,538)
Deficiency of receipts under disbursements	(28,546)	(12,381)	(40,927)	(26,180)	(14,747)
Balances beginning of year	64,233	36,679	100,912	78,004	22,908
Balances end of year	\$ 35,687	24,298	59,985	51,824	8,161

See accompanying independent auditor's report and notes to required supplementary information-budgetary reporting.

CITY OF DUNDEE
Notes to Required Supplementary Information - Budgetary Reporting
June 30, 2008

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. The nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Funds, the Capital Projects Funds, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund.

During the year ended June 30, 2008, disbursements exceeded the amounts budgeted in the public safety, culture and recreation, community and economic development and business type activities functions.

OTHER SUPPLEMENTARY INFORMATION

CITY OF DUNDEE
 SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
 AND CHANGES IN CASH BALANCES
 DISCRETELY PRESENTED COMPONENT UNIT
 As of and for the Year Ended June 30, 2008

	<u>Community Club</u>
Receipts:	
RAGBRAI concessions	\$ 14,388
Interest on investments	156
Contributions	208
Total receipts	<u>14,752</u>
Disbursements:	
RAGBRAI concessions	9,561
City picnic	159
City Santa	149
Siren time clock	525
Light project	3,000
Flags	354
Refrigerator	150
Postage and box rent	42
Total disbursements	<u>13,940</u>
Excess of receipts over disbursements	812
Cash balance beginning of year	<u>7,717</u>
Cash balance end of year	<u>\$ 8,529</u>

See accompanying independent auditor's report.

STEVEN S. CLAUSEN, CPA

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund and the discretely presented component unit of the City of Dundee, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated January 19, 2009. Our report on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting, expressed qualified opinions since we were unable to satisfy ourselves as to the distribution by activity of the cash basis net assets and by fund of the cash balances at July 1, 2007. Except as noted in the Independent Auditor's Report, we conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City of Dundee's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Dundee's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Dundee's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions,

to prevent and detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the City of Dundee's ability to initiate, authorize, record, process or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City of Dundee's financial statements that is more than inconsequential will not be prevented or detected by the City of Dundee's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Dundee's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are material weaknesses. However, of the significant deficiencies described above, we believe items I-A-08 and I-B-08 are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Dundee's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.


The City of Dundee's responses to findings in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Dundee's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Dundee and other parties to whom the City of Dundee may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Dundee during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Elkader, Iowa

January 19, 2009


Dietz, Donald & Company, CPAs
FEIN 42-1172392

CITY OF DUNDEE
SCHEDULE OF FINDINGS
Year Ended June 30, 2008

Part I: Findings Related to the Financial Statements:

Significant Deficiencies:

I-A-08 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One employee at the City prepares bank account reconciliations, initiates cash receipts and disbursements functions and handles and records cash.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain maximum internal control possible under the circumstances.

Response - We will consider this.

Conclusion: Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize elected officials whenever possible to provide additional control through review of financial transactions and reports.

I-B-08 Financial Reporting - As is common in small organizations, the City does not prepare its financial statements, complete with notes, in accordance with the cash basis of accounting. Accordingly, the City is unable to, and has not established internal controls over the preparation of financial statements.

Recommendation - As part of the audit, we have been requested to prepare a draft of the City's financial statements, including related notes. The City then performs a review of the financial statements. However, in order to provide improved oversight of the financial reporting process, the City should establish review policies and procedures including the performance of some or all of the following:

1. Review the adequacy of financial statement disclosures.
2. Review and approve schedules and calculations supporting amounts included in the notes to the financial statements.
3. Apply analytical procedures to the draft financial statements.
4. Apply other procedures as considered necessary by the City.

Response - The City has never been audited, and therefore has never had a reason to establish financial statement review procedures. If an audit should be needed in the future, we will try to have review procedures in place.

Conclusion- Response accepted.

I-C-08 Component Units - Although the Commercial Club was considered to be a component unit of the City, the Dundee Little League was not considered to be a component unit of the City for fiscal 2008. It is possible that both Organizations could be considered component units in the future, under criteria set forth by the Governmental Accounting Standards Board in Statement No. 14, The Financial Reporting Entity, as amended by Statement No. 39, Determining Whether Certain Organizations Are Component Units. Without receiving any financial information from either Organization, it is impossible for the City to make this determination.

Recommendation - The City should at a minimum receive an annual report from both Organizations showing receipts, disbursements and cash balances using account titles similar to those in the City.

Response - We will discuss this with both Organizations.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

CITY OF DUNDEE
SCHEDULE OF FINDINGS
Year Ended June 30, 2008

Part II - Other Findings Related to Statutory Reporting:

II-A-08 Certified Budget - Disbursements during the year ended June 30, 2008 exceeded the amount budgeted in the public safety, culture and recreation, community and economic development and business type activities functions. Chapter 384.20 of the Code of Iowa states, in part, that "public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed budget.

Response - In the future, we will amend the budget in compliance with the Code of Iowa.

Conclusion - Response accepted.

II-B-08 Questionable Disbursements - No disbursements that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

II-C-08 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-08 Business Transactions - No business transactions between the City and City officials or employees were noted.

II-E-08 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-08 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

II-G-08 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.